

Message Text

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ACTION PM-04

INFO OCT-01 EUR-12 ISO-00 L-03 CIAE-00 INR-07 NSAE-00

TRSE-00 OMB-01 H-02 EB-07 SP-02 SS-15 NSC-05 DODE-00

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FM AMEMBASSY REYKJAVIK

TO SECSTATE WASHDC IMMEDIATE 6338

INFO COMICEDEFOR

CINCLANT

C O N F I D E N T I A L REYKJAVIK 0728

E.O. 11652: GDS

TAGS: MARR IC

SUBJECT: NAVAIDS FOR CROSS-WIND RUNWAY

REF: PINKNEY-MARTIN TELECON MAY 24

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1. QUESTION OF PAYMENT FOR NAVAIDS ON CROSS-WIND RUNWAY HAD ITS INCEPTION IN 1971-73 PERIOD WHEN IT BECAME APPARENT THAT AMOUNT APPROPRIATED TO DOD FOR RUNWAY CONSTRUCTION WOULD NOT BE SUFFICIENT TO MEET TOTAL COSTS. BECAUSE GOI CONSIDERED IT IMPERATIVE THAT CONSTRUCTION NOT BE STOPPED AND THAT RUNWAY BE BROUGHT INTO USE, GOI AGREED TO DEFRAID THAT PART OF COSTS OF NAVAIDS WHICH DOD APPROPRIATION WOULD NOT COVER. THIS AGREEMENT WAS RECORDED IN DEFENSE COUNCIL MINUTE 599.1 OF NOVEMBER 20, 1973 AS FOLLOWS:

" THE ICELANDIC CHAIRMAN ADVISED THAT THE MINISTRY OF FINANCE HAD CONSENTED TO PROVIDING FULL COMPENSATION FOR THE DIFFERENCE BETWEEN THE NEGOTIATED PRICE AND THE FINAL COST TO THE ICELANDIC PRIME CONTRACTOR AS THE RESULT OF WAGE INCREASES AND ALTERATIONS OF THE RATE OF EXCHANGE OF THE ICELANDIC KRONUR, ARISING IN CONNECTION WITH INSTALLATION OF NEW NAVIGATIONAL AIDS ON THE CROSS-WIND RUNWAY.

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" THE ICELANDIC CHAIRMAN RESERVED THE RIGHT TO REQUEST A REFUND FOR ANY SUCH ADDITIONAL COSTS IF FUNDS SHOULD BE MADE AVAILABLE FOR THIS PURPOSE IN THE FUTURE. HE NOTED, HOWEVER, THAT ANY FUTURE REQUEST IS NOT A CONDITION OF THE AGREEMENT AND DOES NOT CREATE ANY FUTURE OBLIGATION ON THE PART OF THE UNITED STATES TO PROVIDE THE FUNDS OR CREATE ANY PRECEDENT FOR ICELAND TO MAKE SUCH GUARANTEES IN THE FUTURE.

" THE U.S. CHAIRMAN WELCOMED THE STATEMENT OF THE ICELANDIC CHAIRMAN THAT THERE WAS NO OBLIGATION ON THE PART OF THE UNITED STATES TO PROVIDE THE FUNDS AND THEREFORE THE UNITED STATES CAN ACCEPT THIS GUARANTEE OF THE GOVERNMENT OF ICELAND SINCE IT IS WITHOUT ANY CONDITIONS. HE STRESSED THAT THE MONEY AVAILABLE TO THE DEFENSE FORCE FOR THIS PROJECT WILL BE LIMITED BY THE PRESENT CONGRESSIONAL AUTHORIZATION, THEREFORE THE DEFENSE FORCE WILL NOT BE ABLE TO FURNISH ANY MONIES ABOVE THE AMOUNT PRESENTLY AUTHORIZED BY THE CONGRESS FOR THIS PROJECT."

2. IN DEFENSE COUNCIL MINUTE 661.2 OF MARCH 30, 1976, THE ICELANDIC CHAIRMAN REFERRED TO THE PREVIOUS AGREEMENT AND STATED THAT "THE TOTAL AMOUNT PAID OUT BY THE MINISTER OF FINANCE TO CONTINUE THIS VITAL PROJECT WAS \$245,294. HE NOTED THAT THE DIFFERENCE IN THIS CONTRACT HAD TURNED OUT TO BE ABOUT THREE TIMES MORE THAN HAD BEEN EXPECTED. THE ICELANDIC CHAIRMAN, PURSUANT TO THE RIGHT HE HAD RESERVED AT DEFENSE COUNCIL MEETING 599, REQUESTED THAT CONSIDERATION NOW BE GIVEN TO REFUNDING \$245,294 TO THE GOVERNMENT OF ICELAND."

3. US SIDE ANSWERED IN DEFENSE COUNCIL MEETING 664 ON MAY 11, 1976 AS FOLLOWS:

" REFERENCING DEFENSE COUNCIL MINUTE 661.2 OF 30 MARCH 1976, THE US CHAIRMAN STATED THAT FUNDS ARE NOT AVAILABLE TO DEFRAY COSTS OF PREVIOUS FISCAL YEAR MILITARY CONSTRUCTION PROJECTS. ACCORDINGLY, HE REGRETFULLY REPORTED THAT REIMBURSEMENT COULD NOT BE MADE FOR GOVERNMENT OF ICELAND PROJECTS RELATED TO THE INSTALLATION OF NAVIGATIONAL AIDS ON THE CROSS WIND RUNWAY IN 1973.

"THE ICELANDIC CHAIRMAN INQUIRED WHETHER THERE WAS ANY WAY THESE FUNDS MIGHT BE OBTAINED FROM US SOURCES OUTSIDE THE DEPARTMENT
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OF DEFENSE. THE US CHAIRMAN STATED THAT THE ONLY ALTERNATIVE TO PURSUE WOULD BE TO ATTEMPT TO OBTAIN SPECIAL LEGISLATION BY GOING THROUGH DIPLOMATIC CHANNELS.

"THE ICELANDIC CHAIRMAN STATED THAT IN ACCORDANCE WITH THE DEFENSE COUNCIL CHARTER AND THE US CHAIRMAN'S SUGGESTION, THIS MATTER SHOULD BE REFERRED TO HIGHER AUTHORITY FOR RESOLUTION." END LIMITED OFFICIAL USE.

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4. WILL BE RECALLED THAT ALTHOUGH IT WAS GENERALLY AGREED THAT CROSSWIND RUNWAY PROJECT WAS PRIMARILY OF BENEFIT TO ICELANDIC CIVIL AVIATION AND OF LITTLE MILITARY IMPORTANCE, USG AUTHORITIES AT TIME OF CONSTRUCTION PLANNING FELT IT WAS HIGHLY PREFERABLE TO PRECLUDE THIRD-COUNTRY PARTICIPATION IF KEFLAVIK AIRPORT. THEREFORE CONSIDERABLE EFFORT WAS MADE TO REASSURE CONGRESSIONAL COMMITTEES RE BASE TENTURE AND TO OBTAIN APPROPRIATION FOR CONSTRUCTION. ALTHOUGH FULL RECORDS NOT IMMEDIATELY AVAILABLE, WE BELIEVE USG SPENT AMOUNT ON ORDER OF \$5.5 MILLION FROM WHICH ICELAND HAS BENEFITTED HANDSOMELY. OVERFLIGHTS CAUSED BY WEATHER WERE USUAL THING IN WINTER WEATHER ARE NOW RARE. ALTHOUGH GOI MAY NOT HAVE EXPECTED ITS COSTS TO BE SO HIGH WHEN AGREEMENT TO FINANCE DEFICIT WAS MADE, IT IS PROBABLY SAVINGS TO ICELANDIC AIRLINES AMORTIZED THAT FIGURE LONG AGO.

5. UNDER CIRCUMSTANCES, WE CANNOT RECOMMEND THAT SPECIAL LEGISLATION BE SOUGHT TO REIMBURSE ICELAND FOR ITS COSTS. THIS IS IN ANY CASE ONLY ONE OF A NUMBER OF IDEAS WE UNDERSTAND BEING BANDIED ABOUT FOR RAIDS ON US TREASURY. IN AFTERMATH OF USG AGREEMENTS WITH SPAIN, GREECE AND TURKEY AND AS FEARS GROW ABOUT STATE OF ICELANDIC ECONOMY, FORNMIN AGUSTSSON FEELS HIMSELF UNDER INCREASING PRESSURE TO PRODUCE MORE INCOME FROM PRESENCE OF BASE. AT SAME TIME, HE HAS A DILEMMA BECAUSE HE IS STILL CONCERNED TO ASSURE HIMSELF A POSITION IN A POSSIBLE FUTURE LEFTIST GOVERNMENT AND CANNOT COMMIT HIMSELF TO ANY PROJECT WHICH WOULD IMPLY MORE THAN VERY TEMPORARY PRESENCE OF BASE. WE SEE NO REASON TO HELP HIM RESOLVE HIS DILEMMA. END CONFIDENTIAL.
MARTIN

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